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/NICARAGUA WALLACE: That much-publicized, much-criticized CIA manual on tactics for use against the leftist government of Nicaragua is the subject of a House hearing in Washington today. The same House Intelligence Committee will be looking at the CIA involvement with contra rebels opposed to the Sandinista government. We'll talk about the CIA, the contras and Nicaragua for our Cover Story this morning. And for starters, let's go to Robert Schakne on Capitol Hill, who explains that, while today's hearing is something new, the debate over U.S. involvement in Nicaragua is not. Robert, good morning.

SCHAKNE: Good morning, Jane. Americans have been intervening in Nicaragua for the last 134 years. And for much of that time, Congress has been debating whether we should or shouldn't. In this century, from 1909 to 1933, five different presidents sent the Marines to intervene in Nicaragua, to make and unmake governments, to defend what was said to be 'vital American interests.' And in 1984, there are the contras, the army the CIA put together to attack and pressure the Sandinista government.

RICHARD MILLET (historian): In some ways, it's like watching the fourth remake of a B-grade movie. You know, you have to sense that you've seen it all before, the U.S. preoccupation with conditions there, not because of the Central Americans themselves but because of the real or perceived involvement of other external powers...

SCHAKNE: In the polite fiction of diplomacy, the United States is at peace with Nicaragua's Sandinista government. In reality, there are influential Reagan administration policy makers who believe it is a vital U.S. interest that this government of revolutionaries, some have been self-described Marxists-Leninists, be driven from power. Their chosen instrument is the contra army of 10- to 15,000 anti-Sandinista rebels, organized, directed, and until Congress cut off the funds, financed by the CIA. When Nicaraguan exile Edgar Chamorro was recruited and paid by the CIA to be a leader of the contras, there was nó question about the real mission. EDGAR CHAMORRO (former contra leader): They always assured us that the purpose was to have a government, a democratic government in Nicaragua, and overthrow the Sandinistas.

SCHAKNE: No ambiguity. CHAMORRO: No ambiguity. And the people in the directory knew perfectly well that our purpose was not to stop the flow of weapons to El Salvador...

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SCHAKNE: Chamorro says CIA officials told 'em that they could handle Congress but keep Congress in the dark about the contras' true purposes. CHAMORRO: We are told that they, they'll be able to find a way, you know, so that the Congress will not stop the flow of the money for the contras. They are, they spoke in a very confident way that they could outsmart Congress or speak to Congress in a way they could handle it. They could be able to continue the aid, you know.

SCHAKNE: The deception included crediting the contras with a series of controversial, spectacular operations, operations that, in fact, were independently orchestrated by the CIA using Latin American mercenaries. Among them, the 1983 attack on the oil storage depots near the Port of Corinto and the 1984 mining of the Nicaragua harbors, both operations launched from CIA mother ships. The Reagan administration is itself divided about the wisdom effect in this and real purposes of these operations, about how far to go in applying pressure. Secretary of State Shultz and his professional diplomats think a negotiated settlement with the Sandinistas is possible. Under Secretary of Defense Fred Eckert, the most outspoken of the hard-liners, likened such negotiations to Chamberlain's settlement with Hitler. ROBERT LEIKIN (Carnegie Institute scholar): The hard-liners, I don't think, are looking for negotiations. And those who are have had negotiations blocked whenever they have been on the agenda.

SCHAKNE: Historian Richard Millet worried that Washington and Managua are caught on a collision course. MILLET: In a sense, both sides are pri, prisoners of their history. The bottom of the Sandinista, because of their history of past interventions, is never, never bow down before the U.S. Never humiliate yourself before the U.S. We've intervened so often, the Sandinistas define nationalism in terms of anti-Americanism.

SCHAKNE: The debate in the Intelligence Committee today will be focusing on the narrow issue of the CIA manual. But the underlying question is the same one that divides the administration. Does (sic) the pressure tactics supporting the contras really work? Is it legal? Can it accomplish the administration's purposes. And if it doesn't, what happens next? Is U.S. direct military intervention the option? Jane?

WALLACE: Thank you, Robert Schakne, on Capitol Hill. And so much for history; now, we're going to talk policy. Joining us in Washington is Ambassador Otto Reich of the State Department and Republican Congressman Douglas Bereuter of Nebraska. Good morning, gentlemen. PANELISTS: Good morning.

WALLACE: Ambassador Reich, let me begin with you. What purpose is this undeclared American war, fought through surrogates in Nicaragua, serving? OTTO REICH (State Department): Well, first of all, I think you have to put this report into con, context. U.S. policy does not consist, consist of strictly supporting one particular pressure, which is the one that was described in Mr. Schakne's report. Policy, at the present time, toward Nicaragua consists of political, economic, diplomatic, military and other means designed to bring about a change in the behavior of the government of Nicaragua, particularly towards its neighbors.

WALLACE: But I guess I'm asking a more specific question. In terms of many aspects of policy, what is this one serving? What are the contras serving? REICH: We had found, frankly, that the government of Nicaragua has responded to pressure much more than it has responded to incentives. For a year and a half, the United States government provided the, more assistance to the government of Nicaragua--I'm talking about 1979 and 1980--than any other government in the world. At the same time, the Sandinistas were providing support for the Salvadoran guerrillas, cracking down on the internal opposition, eliminating freedom of the press and, and freedom of movement and speech and a lot of other freedoms that we take for granted. Unfortunately, we found that when the United States government tried to and began to apply pressures in 19, late 1981 and the beginning of 1982, that the Sandinistas then started to realize that they could not get away with exporting their type of government to their neighbors.

WALLACE: So, you're saying now that this military pressure is working. REICH: I'm saying that the policy of the United States, the combined policies of the elements that I mentioned—political, economic, diplomatic, military and other pressures—are working.

WALLACE: Congressman Bereuter, do you agree, especially when it comes to the military pressure imposed by the contras on northern Nicaragua? REP. DOUGLAS BEREUTER (R-Neb.): Well, certainly, the pressure on the Nicaraguan government has provided them less opportunities to subvert and engage in terrorism, intimidate their neighbors. The question however, is, whether or not, it seems to me the question is whether or not the contra support from the United States is providing the cement necessary for the Sandinistas to keep their people supportive of a government that's broken many of their promises and for which there is substantial evidence that economic problems exist in great amount, economic problems that extend beyond the time the United States was involved in assisting the contras.

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· WALLACE: Let me play devil's advocate with both of you. Aren't we doing exactly what we accused the Nicaraguans of doing, and that is exporting revolution. We have now armed up to 14,000 men on the northern border, alone, of Nicaragua. And that's more than the Salvadoran guerrillas have as a total, which is, was our premise for going in there in the first place. Aren't we exporting terrorism or exporting revolution, just like we accused the Nicaraguans of doing, in continuing to use this method? REICH: Well, I don't think you can force people to take up arms against, against their government. What Youse (sic), in your own question, I think, lies part of the answer to your question. There are already more people fighting the government of Nicaragua than there are fighting the government of El Salvador. And, in fact, the Nicaraguan insurgency is a lot shorter than the Salvadoran insurgency has been. The people of Nicaragua have decided to take up arms and risk their lives to change...

WALLACE: But our accusation, Ambassador Reich, is that they have been, is that the Nicaraguans exported revolution, which is why we were moving into that area. Now, are we not doing exactly the same thing in supporting 14,000 armed fighters, regardless of their motivation for fighting? REICH: Well, they seem to be continuing to fight months after, as Mr. Schakne reported and has been reported in other parts of the press, months after the, the Congress of the United States stopped any assistance which may have been taking place. So, obviously, there's something driving these people other than United States support. I think they're getting support from a lotta sources, primarily from their own people.

WALLACE: If the contras don't succeed, gentlemen, briefly, what then next? American officials have admitted to me, personally, that they don't have the popular support in Nicaragua to throw (sic) the Sandinista government. There's talk of Nicaragua being the second Cuba. Intervention? What's, what options do we have if the contras don't succeed in toppling the Sandinista government? BEREUTER: American intervention is out of the question. There are other forms of pressure that the United States can bring on Nicaragua to move them towards negotiation and to stop them from intervening in the affairs of their neighbor. I think if there's any delusions, it's a self-delusion, in the case of Congress, that really dates back to December of 1982. The insurgents in Nicaragua, including the contras, were never interested in interdicting arms in Nicaragua; they're interested in overthrowing the government of Nicaragua.

WALLACE: So, if they don't work, what happens? BEREUTER: Well, that's the point, Ms. Wallace, is that the policy does not count on any one element of the policy working.

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WALLACE: Intervention, Ambassador Reich, briefly? We're all outta time. REICH: No, the president has said that there's no plans that require U.S. combat troops in Central America. At the same time, the president has said that a president can never say 'never.' We have a balanced policy of several components. And as long as that policy's working, we don't see any need to have a new one.

WALLACE: Thank you very much for joining us this morning. And we'll be right back.